CEA
Consumer Electronics Association

PRODUCER OF International CES

A Retailer's Perspective

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RadioShack Corporation

RadioShack

- One of the largest consumer electronics retailers.
- 94% of Americans live or work within 5 minutes of a RadioShack store.
- In California alone…
  - 650 Corporate stores
  - 63 Independent locally owned franchise stores
  - 1100 total stores including all kiosks

Store shelves for retailers will be affected

- RadioShack has 201 current products affected by the July requirements. Of that only 4 have been confirmed to meet the July requirements.
- The remaining 197 products are scattered over 20 product lines.
- The compliant products are all top tier products (lower tier products are more likely to be negatively impacted.)
- The remaining 197 products may not be eligible to be put on California shelves if manufactured after July 1, 2006.
- Manufacturers are showing across the line cost increases for equipping these products with compliant supplies.
- Unless we find suitable replacement supplies and adequate volume, sales will be impacted. Reduced sales means reduced tax revenues.

Implementation schedule and notification process of the CEC regulations was inadequate to allow industry to respond

- Manufacturers do not act on requirements until published.
- This prevents costly attempts to satisfy changing or unpublished requirements.
- Due to product life cycle many regulatory agencies allow adequate time to incorporate new requirements into designs.
  - Typical effective dates are a minimum 2 years after publication of a standard.
  - Existing products may be grandfathered.
- Neither manufacturing nor retail industry were given adequate notice or opportunity to participate in the development of these requirements.
  - As a retailer we were put in the position of having to notify and explain these requirements to our suppliers.

Impact of changing power supplies

- Linear supplies are typically used in low cost products to minimize EMI and audio noise.
- Replacement switching type supplies must be tested and selected carefully to avoid introducing audible noise and interference.
- Linear suppliers are more cost effective for lower cost consumer products.
- Replacing power supplies for products consumers already own may destroy the value of the product to the consumer.

In addition:

- Costly additional FCC testing to verify compliance with Part 15 limits. (see 47 C.F.R. 15.101)
- Additional instructions dealing with interference required by the FCC must be included with each product.
- May cause compatibility problems with many audio based products that are sensitive to conducted noise.
- Many manufacturers have voluntarily adopted higher dielectric requirements to improve surge immunity to reduce claims, field failures, and improve customer satisfaction.

Cost of replacement products

- Switch mode supplies that meet these energy requirements are significantly more costly than their linear counterparts. In some cases we've been quoted up to 4 times the cost.
  - CEC report says the cost adders are $0.49 and $0.90 for tier 1 and tier 2, respectively. Our quotes have been significantly higher
  - Based on supplier quotes the actual change in retail will range from $5 to $10.
- We have been evaluating a hybrid linear supply that would meet California requirements, but we have not been able to obtain adequate samples for evaluation.
  - Heat problems have plagued these products.

Impact to consumer choice

- Consumers will face a limitation in choices from reputable retailers.
- Consumers will have fewer choices in the future due to the cost impact on these power supplies.

Retailers Uncertainty

- We are uncertain of the cost and availability of products for our shelves.
- We are uncertain on how to instruct our suppliers to build products to be competitive.

This situation is bad for the retail industry, manufacturers, and consumers in California.

We need quick action from the CEC

Suggested action

- Delay implementation of the external power supply regulations to allow industry time to solve supply chain issues.
- Exempt power supplies less than 15 watts.
- Exempt infrequent use products.
- Exempt specific classes of products that have been identified problematic by industry.
- Work with industry on setting industry standards for efficiency requirements.
  - Focus on national industry led standards rather than State by State requirements.
  - Achievable and supported by industry.